Originaltitel	**Dubai fastest growing office space market in world**
Datum	**05.10.2010**
Quelle	**Emirates 24/7**
Sprache	**englisch**

Dubai fastest growing office space market in world
The occupied Grade A quality office space in the emirate increased by 2.8 sq ft per capita since 2008: JLL

- By Staff

Demand for office space in Dubai has bounced back since late last year. (SUPPLIED)

Dubai has experienced the greatest growth in occupied office space of any major city in the world on a per capita basis over the past two-and-a-half years, according to Jones Lang LaSalle.

The new research, which compared data on 25 major global cities, reveals that Dubai is the fastest growing office market in the world on a per capita basis, with the total area of occupied Grade A quality office space increasing by 2.8 square feet per capita since the beginning of 2008. While other markets have grown by much more in absolute numbers, these are far larger mega cities, hence Dubai score highest in terms of net absorption (the change in occupied office space) per capita.

International comparisons are notoriously difficult, given the different geographical coverage and definitions adopted in different real estate markets globally.

The total occupied stock of offices in those areas of Dubai monitored by JLL is estimated to have increased by around 42 per cent since January 2008. This places Dubai in fifth place globally when assessed against the pace of growth of other office markets monitored by JLL.

The fastest-growing cities globally on this measure have been the mega cities of Delhi (61 per cent), Mumbai (58 per cent) Beijing (56 per cent) and Bangalore (43 per cent), which have all experienced strong net absorption as their stock of international quality office space has expanded rapidly from a previous low base. Outside of the Bric economies, Dubai has been the fastest-growing city globally in percentage terms (calculated as the change in occupied office stock between January 2008 and July 2010, divided by the total occupied stock in January 2008).

Commenting on these findings, Blair Hagkull, Chairman of Jones Lang LaSalle Mena, said: “Demand for office space in Dubai has bounced back since late last year, as the market recovers from the downsising experienced in early 2009. The level of occupied office stock increased again over the first half of 2010, having declined during the previous year.
This is reflected in a significant increase in leasing business being negotiated by JLL.

“During the past six months, we have negotiated new leases on behalf of a range of major multinational firms (MNC’s) including Deloitte’s, Royal Bank of Scotland, MasterCard, and Honeywell. Most of these deals have involved an expansion in the amount of space occupied as tenants respond to improving business conditions and Dubai’s accepted position as the leading office centre in the Mena region.”

Despite the continued demand for office space in Dubai over the last few years, the market has moved in the favour of tenants, with the amount of vacant space increasing and average rentals declining across the market. This is creating opportunities for tenants to upgrade to better quality office space and take advantage of the more competitive leasing terms on offer as a result of the additional choice available.

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Hagkull said: "The major factor driving the Dubai office market at the current time is not the absence of demand, which remains positive, but the excessive levels of new supply that have entered the market in recent years."

The total stock of office space in Dubai has increased 2.5 times over the past three years (from around 20 million sq m at the end of 2007 to its current level of around 50 million sq ft. This has resulted in Dubai having one of the highest levels of office space per person of any city in the world. Dubai's current provision rate (the level of office space per capita) is around 36 square feet, which is fourth only to New York, Paris and London."

Dubai's supply has moved ahead of demand over the past few years, pushing the city further up the list of global ranking on office stock per capita than its size would justify. The very large supply of space entering the market over a short period of time has been the root cause of the current over supply being experienced. The supply pipeline has now peaked and the level of new supply likely to enter the market over the next few years is beginning to reduce, as developers adjust the timing of their projects.

JLL data suggests that completion levels will peak in 2010 and then taper in 2011 and 2012, which will provide the market with the opportunity to absorb some of the current excess supply.